

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 IGA-01 EB-07 CIAE-00 INR-07

NSAE-00 RSC-01 TRSE-00 OMB-01 XMB-04 FRB-01 /038 W

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 3026

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DEPARTMENT FOR AID

E.O. 11652: N/A

TAGS: ECIN, EINV, EFIN, EAID, PE

SUBJECT: ANDEAN PACT: AID LOAN TO ANDEAN DEVELOPMENT
CORPORATION (CAF)

REF: (A) CRISLER - FULLMER TELCON NOVEMBER 27

(B) LIMA 10257

1. CAF IS EXPLORING A RENEGOTIATION OF THE AID LOAN AGREEMENT CLAUSE WHICH RESTRICTS SUBLOANS TO WHOLLY PRIVATELY OWNED FIRMS. FOLLOWING COMMENTS ARE PRESENTED BY THE REGIONAL INTEGRATION OFFICER.

2. THE REASONS FOR INCLUSION OF THE RESTRICTIVE CLAUSE IN THE LOAN AGREEMENT, PRIMARILY AT THE INSISTENCE OF TREASURY, HAVE BEEN OVERTAKEN BY EVENTS. BOTH CHILE AND PERU ARE NOW RECIPIENTS OF AID ASSISTANCE.

3. CAF IS ACTIVELY PROMOTING PRIVATE SECTOR PROJECTS WITH ITS OWN RESOURCES. A ONE MILLION DOLLAR FUND HAS RECENTLY BEEN ESTABLISHED FOR BOLIVIA TO FINANCE FEASIBILITY STUDIES AND PROMOTION AND TO MAKE RISK CAPITAL AVAILABLE FOR NEW PROJECTS. CAF ALSO PROMOTES PRIVATE SECTOR PROJECTS IN PERU (REFTEL B).

4. COMMENT: THE RESTRICTIVE ELEMENTS IN THE AID
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LOAN, NOT FOUND IN SOFT LOANS TO CAF FROM OTHER COUNTRIES,

DO NOT SEEM TO HAVE HAD AN INFLUENCE ON PRIVATE SECTOR INVOLVEMENT IN INTEGRATION PROJECTS; INSTEAD, IT HAS BEEN AN IRRITANT. FROM THE U.S. POINT OF VIEW, IT SHOULD BE NOTED THAT CAF HAS JUST BEEN GIVEN A \$60 MILLION FIDUCIARY FUND FROM THE VENEZUELAN GOVERNMENT. FURTHERMORE, ITS SUBSCRIBED CAPITAL HAS BEEN GREATLY INCREASED. CAF WILL PLAY AN IMPORTANT ROLE IN A VARIETY OF INDUSTRIAL PROJECTS. THE U.S. IS THE NATURAL SOURCE FOR EQUIPMENT, TECHNOLOGY AND OTHER INPUTS. ELIMINATING MISUNDERSTANDINGS AND BETTERING RAPPORT, PARTICULARLY AT THE CAF BOARD OF DIRECTORS LEVEL, WOULD FACILITATE U.S.-ANDEAN ECONOMIC COOPERATION TO MUTUAL ADVANTAGE.
DEAN

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